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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **China State Construction International Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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中國建築國際集團有限公司

CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 3311)

**CONTINUING CONNECTED TRANSACTIONS
WITH CHINA OVERSEAS GRAND OCEANS GROUP LIMITED
IN RELATION TO CONSTRUCTION WORKS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to
to the Independent Board Committee and the Independent Shareholders**



A letter from the Board is set out on pages 4 to 12 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 13 to 14 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 28 of this circular.

A notice convening the EGM to be held at Meeting Room S221, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Tuesday, 12 January 2021 at 3:10 p.m. (or so soon after the conclusion or adjournment of the extraordinary general meeting of the Company to be convened at 3:00 p.m. at the same place and date) is set out on pages EGM-1 to EGM-2 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting (as the case may be) should you so wish.

In view of the ongoing Novel Coronavirus (COVID-19) epidemic, the Company will implement the following precautionary measures at the EGM, including:

- (a) compulsory body temperature checks (any person with fever, respiratory symptoms or a body temperature of over 37.0 degree Celsius will not be permitted access to the meeting venue);
- (b) request of wearing of surgical face masks throughout the meeting and not wearing surgical face masks will not be permitted access to the meeting venue;
- (c) hand sanitiser will be provided;
- (d) no distribution of gifts or cake coupons and no refreshments or drinks will be served; and
- (e) other safety measures as appropriate.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“associates”, “connected persons”, “continuing connected transaction(s)”, “controlling shareholder(s)”, “percentage ratio(s)” and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“COGO”	China Overseas Grand Oceans Group Limited (中國海外宏洋集團有限公司), a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 81);
“COGO Group”	COGO and its subsidiaries from time to time;
“COGO Independent Shareholders”	shareholders of COGO, other than COHL and its associates;
“COHL”	China Overseas Holdings Limited (中國海外集團有限公司), a company incorporated in Hong Kong with limited liability, is a wholly-owned subsidiary of CSCECL and the controlling shareholder of both the Company and COGO;
“COLI”	China Overseas Land & Investment Ltd. (中國海外發展有限公司), a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 688);
“Company”	China State Construction International Holdings Limited (中國建築國際集團有限公司), a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 3311);
“CSCEC”	中國建築集團有限公司 (China State Construction Engineering Corporation*), a state-owned corporation organised and existing under the laws of the PRC, and the ultimate holding company of each of CSCECL, COHL, the Company and COGO;
“CSCECL”	中國建築股份有限公司 (China State Construction Engineering Corporation Limited), a joint stock company established in the PRC whose shares are listed on the Shanghai Stock Exchange (stock code: 601668), is a non-wholly owned subsidiary of CSCEC and holding company of COHL;

DEFINITIONS

“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be held to consider and approve the New Master Engagement Agreement (together with the New COGO Works Caps) and the transactions contemplated thereunder;
“Group”	the Company and its subsidiaries (excluding subsidiary(ies) listed on the Stock Exchange) from time to time;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors to advise the Independent Shareholders in respect of the New Master Engagement Agreement (together with the New COGO Works Caps) and the transactions contemplated thereunder;
“Independent Financial Adviser” or “Honestum”	Honestum International Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the New Master Engagement Agreement (together with the New COGO Works Caps) and the transactions contemplated thereunder;
“Independent Shareholders”	shareholders of the Company, other than COHL and its associates;
“Latest Practicable Date”	14 December 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein, as the case may be;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time;
“Macau”	the Macao Special Administrative Region of the PRC;
“New COGO Works Caps”	the maximum total contract sums of the construction works that may be awarded by the COGO Group to the Group (as construction contractor of the COGO Group) for the three-year period commencing from 1 January 2021 and ending on 31 December 2023 under the New Master Engagement Agreement;

DEFINITIONS

“New Master Engagement Agreement”	the engagement agreement entered into between the Company and COGO on 19 November 2020 in respect of the engagement of any members of the Group by any members of the COGO Group as construction contractor for the COGO Group’s construction works in the PRC from time to time for a term of three years commencing from 1 January 2021 and ending on 31 December 2023;
“Previous COGO Works Caps”	the maximum total contract sum of (i) HK\$1,000 million for the period commenced from 1 July 2020 and ending on 31 December 2020; and (ii) HK\$500 million for the period commencing from 1 January 2021 and ending on 30 June 2021 of the construction works that may be awarded by the COGO Group to the Group (as construction contractor of the COGO Group) under the Previous Master Engagement Agreement;
“Previous Master Engagement Agreement”	the engagement agreement entered into between the Company and COGO on 24 April 2020 in respect of the engagement of any members of the Group by any members of the COGO Group as construction contractor for the COGO Group’s construction works in the PRC from time to time for a term of one year commenced from 1 July 2020 and ending on 30 June 2021;
“PRC”	People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, Macau and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary share(s) of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

* *English translation for identification purpose only*

For illustration purposes in this circular, unless otherwise specified, the exchange rate of RMB0.85 = HK\$1.00 is adopted. The exchange rate does not constitute a representation that any amount has been, could have been or may be converted at the above rate or any other rates.

LETTER FROM THE BOARD



中國建築國際集團有限公司

CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 3311)

Non-executive Director:

Mr. Yan Jianguo (Chairman)

Executive Directors:

Mr. Zhang Haipeng (Chief Executive Officer)

Mr. Tian Shuchen (Vice President)

Mr. Zhou Hancheng (Financial Controller)

Mr. Hung Cheung Shew (Vice President)

Independent Non-executive Directors:

Mr. Adrian David Li Man Kiu

Dr. Raymond Leung Hai Ming

Mr. Lee Shing See

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Head office and principal place
of business in Hong Kong:*

28th Floor

China Overseas Building

139 Hennessy Road

Wanchai

Hong Kong

17 December 2020

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
WITH CHINA OVERSEAS GRAND OCEANS GROUP LIMITED
IN RELATION TO CONSTRUCTION WORKS**

INTRODUCTION

References are made to:

- (1) the announcement of the Company dated 24 April 2020 in relation to, among other things, the Previous Master Engagement Agreement entered into between the Company and COGO; and

LETTER FROM THE BOARD

- (2) the announcement of the Company dated 19 November 2020 in respect of the entering into of the New Master Engagement Agreement between the Company and COGO whereby (i) the Group may tender for the COGO Group's construction works in the PRC as construction contractor in accordance with the tendering procedures of the COGO Group from time to time for a term of three years commencing from 1 January 2021 and ending on 31 December 2023 subject to the New COGO Works Caps; and (ii) the COGO Group may engage the Group as construction contractor for the COGO Group's construction works in the PRC upon the Group's successful tender.

The purpose of this circular is to provide you with, among other things:

- the particulars of the New Master Engagement Agreement (together with the New COGO Works Caps) and the transactions contemplated thereunder;
- the letter from the Independent Board Committee with its recommendation to the Independent Shareholders on the New Master Engagement Agreement (together with the New COGO Works Caps) and the transactions contemplated thereunder;
- the letter from Honestum with their advice on the New Master Engagement Agreement (together with the New COGO Works Caps) and the transactions contemplated thereunder to the Independent Board Committee and the Independent Shareholders,

as well as to seek the approval of the Independent Shareholders in respect of the entering into of the New Master Engagement Agreement (together with the New COGO Works Caps) and the transactions contemplated thereunder.

THE NEW MASTER ENGAGEMENT AGREEMENT

Date

19 November 2020

Parties

1. the Company; and
2. COGO.

Continuing Connected Transactions in relation to Construction Works

Under the Previous Master Engagement Agreement, (i) the Group may tender for the COGO Group's construction works in the PRC as construction contractor in accordance with the tendering procedures of the COGO Group from time to time for a term of one year commenced from 1 July 2020 and ending on 30 June 2021 subject to the Previous COGO Works Caps; and (ii) the COGO Group may engage the Group as construction contractor for the COGO Group's construction works in the PRC upon the Group's successful tender.

LETTER FROM THE BOARD

It is contemplated that the COGO Group will invite the Group to tender for more construction works of the COGO Group in the PRC as construction contractor and (A) the cap provided for in the Previous Master Engagement Agreement for the period commencing from 1 January 2021 and ending on 30 June 2021; and (B) the term of the Previous Master Engagement Agreement need to be revised. As such, on 19 November 2020, the Company and COGO entered into the New Master Engagement Agreement for a term of three years commencing from 1 January 2021 and ending on 31 December 2023 whereby the parties agreed, among other things, that:

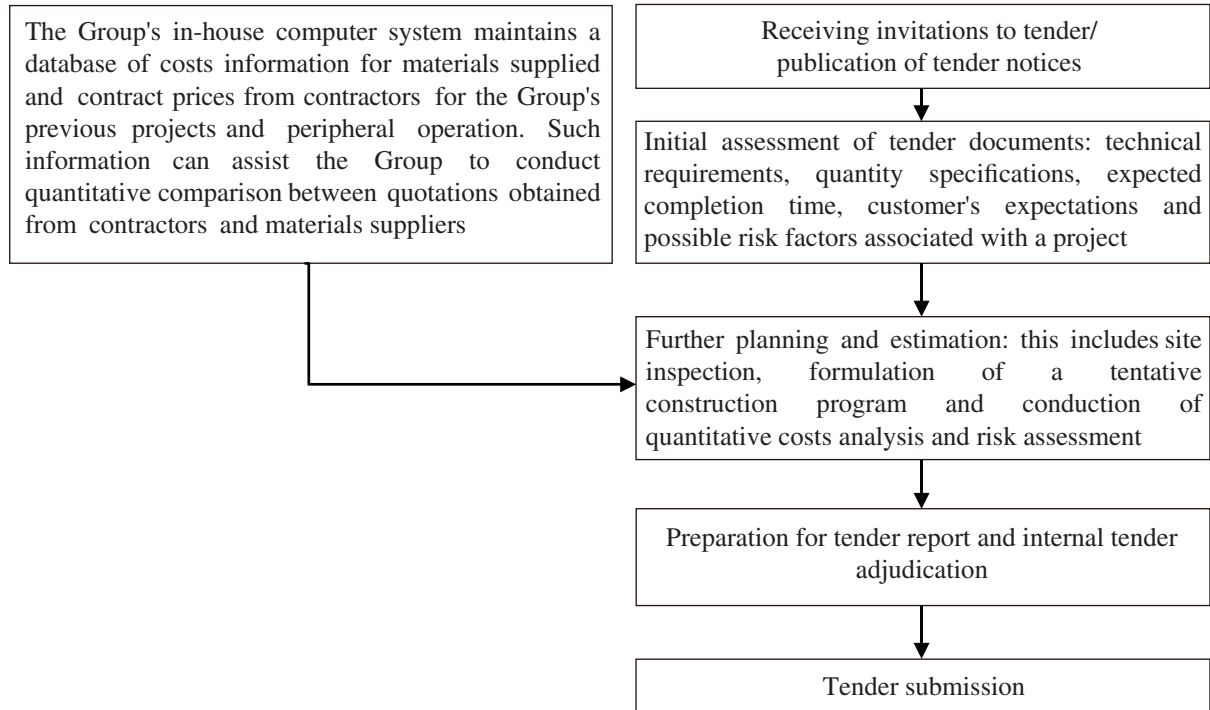
- (a) the Group may tender for the COGO Group's construction works in the PRC as construction contractor in accordance with the tendering procedures of the COGO Group from time to time and on the same and normal terms as offered to other independent third party construction contractors;
- (b) if any contract is granted in favour of the Group as a result of the above tender, the Group may act as construction contractor for the COGO Group's construction works in the PRC based on the terms of the successful tender provided that the maximum total contract sums of the construction works that may be awarded by the COGO Group to the Group shall not exceed (i) RMB2,000 million for the year commencing from 1 January 2021 and ending on 31 December 2021; (ii) RMB2,500 million for the year commencing from 1 January 2022 and ending on 31 December 2022; and (iii) RMB3,000 million for the year commencing from 1 January 2023 and ending on 31 December 2023 (i.e. the New COGO Works Caps); and
- (c) the fees in respect of the construction works payable by the COGO Group to the Group will be settled pursuant to the payment terms set out in the tender documents for the specific construction contracts.

Pricing basis of the tenders submitted by the Group

The price and terms of the tenders submitted by the Group to the COGO Group for the COGO Group's construction works in the PRC are subject to the standard and systematic tender submission procedures maintained by the Group, which apply for tenders submitted to both connected persons and independent third parties, in order to ensure that the price and terms of the proposed tenders submitted by the Group to the COGO Group are no more favourable to the COGO Group, and no less favourable to the Group, than those submitted to independent third parties.

LETTER FROM THE BOARD

The standard and systematic tender submission procedures generally involve (i) receiving invitations to tender/publication of tender notices; (ii) initial assessment of tender documents; (iii) further planning and estimation; (iv) preparation for tender report and internal tender adjudication; and (v) tender submission. The procedures, as illustrated in the following diagram, will enable the Group to review the feasibility and profitability of the tender to be submitted and to decide the contents and pricing terms of the tender to be submitted.



In preparing and assessing the tender documents, the Group will take into account factors including technical requirements, quantity specifications, expected completion time, customer's expectations and possible risk factors associated with a project. The Group will then perform site inspection, formulate a tentative construction program and conduct quantitative costs analysis and risk assessment.

In determining the pricing terms, the Group will review the costs information maintained by its in-house computer database for materials supplied and contract prices from contractors for the Group's previous projects and peripheral operation. The information will assist the Group to conduct quantitative comparison between quotations obtained from contractors and materials suppliers. The Group will review details of the tender to be submitted for bidding including the price analysis of each item in the tender for both tenders to be submitted to connected persons and independent third parties, and compare them with previous tenders submitted to both connected persons and independent third parties, so as to ensure that the prices and terms of the tender to be submitted to the COGO Group are not more favourable to the COGO Group, and no less favourable to the Group, than those submitted to independent third parties.

LETTER FROM THE BOARD

If any contract is granted in favour of the Group as a result of the competitive tender, the relevant project owner of the COGO Group will issue a letter of award to the Group and the Group will act as construction contractor for the relevant construction works of the COGO Group in the PRC based on the terms of the successful tender.

Calculation of the New COGO Works Caps

The New COGO Works Caps are calculated with reference to the following factors:

- (a) the maximum total contract sum that might be awarded by the COGO Group to the Group in respect of the construction works under the Previous Master Engagement Agreement should not exceed (i) HK\$1,000 million for the period commenced from 1 July 2020 and ending on 31 December 2020; and (ii) HK\$500 million for the period commencing from 1 January 2021 and ending on 30 June 2021 (i.e. the Previous COGO Works Caps);
- (b) total contract sum of construction works of the COGO Group in the PRC awarded by the COGO Group to the Group as construction contractor under the Previous Master Engagement Agreement for the period from 1 July 2020 to 31 October 2020 of approximately RMB435.77 million (approximately HK\$512.67 million);
- (c) total contract sum of construction works of the COGO Group in the PRC for the financial year ended 31 December 2017 of approximately RMB11,414.82 million (approximately HK\$13,429.20 million), for the financial year ended 31 December 2018 of approximately RMB14,344.31 million (approximately HK\$16,875.66 million), for the financial year ended 31 December 2019 of approximately RMB19,845.09 million (approximately HK\$23,347.16 million), and for the period from 1 January 2020 to 31 October 2020 of approximately RMB17,660.54 million (approximately HK\$20,777.11 million); and
- (d) the estimated total contract sum within the range of RMB3,000 million to RMB4,000 million of the COGO Group's construction works in the PRC which includes approximately RMB1,600.68 million (approximately HK\$1,883.15 million), approximately RMB1,959.53 million (approximately HK\$2,305.33 million) and approximately RMB1,813.33 million (approximately HK\$2,133.33 million) of the COGO Group's construction works in respect of 3 property development projects (for residential purpose), 1 property development project (for residential and commercial purpose) and 1 property development project (for residential and commercial purpose) in the PRC for each of the three financial years ending on 31 December 2023, respectively, for which the COGO Group will invite the Group to participate in competitive tenders from time to time taking into account the number and size of the potential new construction projects of the COGO Group in the PRC.

The contract sums under the New Master Engagement Agreement will be satisfied by the COGO Group in cash from its general working capital. The New Master Engagement Agreement (together with the New COGO Works Caps) will replace and supersede all rights and obligations of the parties under the Previous Master Engagement Agreement (together with the Previous COGO Works Caps) starting from 1 January 2021 with effect from the date of the satisfaction of the conditions precedent set out below.

LETTER FROM THE BOARD

In the event that the New Master Engagement Agreement does not become effective, the Previous Master Engagement Agreement (together with the Previous COGO Works Caps) will remain in full force and binding on the Company and COGO.

Conditions Precedent

The transactions contemplated under the New Master Engagement Agreement (together with the New COGO Works Caps) are conditional upon (i) the passing of the resolution by Independent Shareholders at the EGM approving the New Master Engagement Agreement (together with the New COGO Works Caps) and the transactions contemplated thereunder; (ii) the passing of the resolution by COGO Independent Shareholders at COGO's general meeting approving the New Master Engagement Agreement (together with the New COGO Works Caps) and the transactions contemplated thereunder; and (iii) the Company and COGO having complied with all relevant requirements under the Listing Rules with respect to the New Master Engagement Agreement (together with the New COGO Works Caps) and the transactions contemplated thereunder.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE NEW MASTER ENGAGEMENT AGREEMENT

The Directors consider that being able to participate in the construction works of the COGO Group in the PRC as construction contractor upon successful tender allows the Group to strengthen and further develop its construction business and qualifications in the PRC.

The Directors (including the independent non-executive Directors whose views have been set out in this circular together with the advice of the Independent Financial Adviser) consider that the transactions contemplated under the New Master Engagement Agreement are expected to be entered in the ordinary and usual course of business of the Group and on normal commercial terms after arm's length negotiations between the parties, and the terms of the transactions contemplated under the New Master Engagement Agreement (together with the New COGO Works Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES TO THE NEW MASTER ENGAGEMENT AGREEMENT

The Group is principally engaged in construction business, infrastructure investments and prefabricated constructions.

COGO is principally engaged in the business of property investment and development, property leasing and investment holding.

CSCECL is the holding company of COHL which, in turn, is the controlling shareholder of both the Company and COGO. CSCECL is a contractor which is principally engaged in construction works in various cities in the PRC and various countries around the world.

CSCEC is the ultimate holding company of each of CSCECL, COHL, the Company and COGO. CSCEC, together with its subsidiaries (excluding those listed on any stock exchange), is a conglomerate principally engaged in building construction, international contracting, real estate development and investment, infrastructure construction and investment and design and prospecting.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, COHL is the controlling shareholder of both the Company and COGO by virtue of it being interested in approximately 64.66% of the issued share capital of the Company and approximately 38.32% of the issued share capital of COGO. Accordingly, members of the COGO Group are connected persons of the Group and members of the Group are connected persons of the COGO Group. The transactions contemplated under the New Master Engagement Agreement between members of the COGO Group on one hand and members of the Group on the other hand, constitute continuing connected transactions for each of the Company and COGO under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios as defined under the Listing Rules in respect of the maximum total contract sums of the construction works that may be awarded to the Group by the COGO Group for the period commencing from 1 January 2021 and ending on 31 December 2023 under the New Master Engagement Agreement (i.e. the New COGO Works Caps) exceed 5%, the transactions contemplated under the New Master Engagement Agreement are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has any material interest in the New Master Engagement Agreement and the transactions contemplated thereunder. However, Mr. Yan Jianguo, being the chairman and non-executive director of the Company, non-executive director of COGO and the chairman and president of COHL, and Mr. Zhang Haipeng, being director of both the Company and COHL, have voluntarily abstained from voting on the Board resolutions approving the New Master Engagement Agreement (together with the New COGO Works Caps) and the transactions contemplated thereunder.

Shareholders should note that the New COGO Works Caps represent the best estimates by the Directors of the amount of the relevant transaction based on the information currently available. The New COGO Works Caps bear no direct relationships to, nor should be taken to have any direct bearings to, the Group's financial or potential financial performance. The COGO Group may or may not retain the Group to engage in construction works up to the New COGO Works Caps, if at all, as its engagement is subject to tender procedures which are open to other independent third parties.

EGM

A notice convening the EGM to be held at Meeting Room S221, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Tuesday, 12 January 2021 at 3:10 p.m. (or so soon after the conclusion or adjournment of the extraordinary general meeting of the Company to be convened at 3:00 p.m. at the same place and date) is set out on pages EGM-1 to EGM-2 of this circular. Ordinary resolution will be proposed to the Independent Shareholders at the EGM to consider and, if thought fit, to approve the New Master Engagement Agreement (together with the New COGO Works Caps) and the transactions contemplated thereunder.

LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the meeting, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting (as the case may be) should you so wish.

The register of members of the Company will be closed, for the purpose of determining the identity of members who are entitled to attend and vote at the EGM from Thursday, 7 January 2021 to Tuesday, 12 January 2021, both days inclusive, during which period no transfers of shares will be effected. In order to be entitled to attend the EGM, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 6 January 2021.

VOTING BY WAY OF POLL

In accordance with Rule 13.39(4) of the Listing Rules, voting at the EGM will be conducted by poll. The chairman of the EGM will demand a poll for the resolution to be proposed at the EGM in accordance with the Company's articles of association.

As at the Latest Practicable Date, COHL and its associates held in aggregate 3,264,976,136 Shares, representing approximately 64.66% of the issued share capital of the Company, of which 118,787,644 Shares were held by Silver Lot Development Limited, a direct wholly-owned subsidiary of COHL, and 3,146,188,492 Shares were held by COHL. COHL and its associates will abstain from voting at the EGM on the resolution relating to the New Master Engagement Agreement (together with the New COGO Works Caps) and the transactions contemplated thereunder.

To the extent that the Directors are aware having made all reasonable enquiries, as at the Latest Practicable Date:

- (i) there was no voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon COHL;
- (ii) COHL was not subject to any obligation or entitlement whereby it had or it might have temporarily or permanently passed control over the exercise of the voting right in respect of its shares in the Company to a third party, either generally or on a case-by-case basis; and
- (iii) it was not expected that there would be any discrepancy between COHL's beneficial shareholding interest in the Company as disclosed in this circular and the number of shares in the Company in respect of which it would control or would be entitled to exercise control over the voting right at the EGM.

LETTER FROM THE BOARD

The results of the voting will be announced in the manner prescribed under Rule 13.39(5) of the Listing Rules after the EGM.

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise and provide recommendation to the Independent Shareholders on the New Master Engagement Agreement (together with the New COGO Works Caps) and the transactions contemplated thereunder. Honestum has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same respect.

RECOMMENDATION

Your attention is drawn to the letter of advice from the Independent Board Committee set out on pages 13 to 14 of this circular which contains its recommendation to the Independent Shareholders in relation to the New Master Engagement Agreement (together with the New COGO Works Caps) and the transactions contemplated thereunder.

Your attention is also drawn to the letter from Honestum set out on pages 15 to 28 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the New Master Engagement Agreement (together with the New COGO Works Caps) and the transactions contemplated thereunder.

The Directors (including the independent non-executive Directors whose views have been set out in this circular together with the advice of the Independent Financial Adviser) consider that the New Master Engagement Agreement (together with the New COGO Works Caps) and the transactions contemplated thereunder have been entered into on normal commercial terms and in ordinary and usual course of business of the Group, and the terms and conditions therein (including the New COGO Work Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular and the notice of the EGM.

Yours faithfully,
By Order of the Board
China State Construction International Holdings Limited
Yan Jianguo
Chairman and Non-executive Director



中國建築國際集團有限公司
CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 3311)

17 December 2020

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
WITH CHINA OVERSEAS GRAND OCEANS GROUP LIMITED
IN RELATION TO CONSTRUCTION WORKS**

We refer to the circular dated 17 December 2020 (the “**Circular**”) issued by the Company to the Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether, in its opinion, the terms of the New Master Engagement Agreement (together with the New COGO Works Caps) and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Honestum has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the New Master Engagement Agreement (together with the New COGO Works Caps) and the transactions contemplated thereunder.

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 12 of the Circular and the text of a letter of advice from Honestum, as set out on pages 15 to 28 of the Circular, both of which provide details of the New Master Engagement Agreement (together with the New COGO Works Caps) and the transactions contemplated thereunder.

Having considered (i) the New Master Engagement Agreement (together with the New COGO Works Caps) and the transactions contemplated thereunder; (ii) the advice of Honestum; and (iii) the relevant information contained in the letter from the Board, we are of the opinion that the New Master Engagement Agreement (together with the New COGO Works Caps) and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

Yours faithfully,

For and on behalf of

**The Independent Board Committee of
China State Construction International Holdings Limited**

Adrian David Li Man Kiu

Independent Non-executive Director

Raymond Leung Hai Ming

Independent Non-executive Director

Lee Shing See

Independent Non-executive Director

LETTER FROM HONESTUM

The following is the full text of a letter of advice from Honestum International Limited to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.



17 December 2020

*To the Independent Board Committee and the Independent Shareholders of
China State Construction International Holdings Limited*

Dear Sirs,

REVISION OF ANNUAL CAPS AND RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Master Engagement Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in this circular (the “**Circular**”) dated 17 December 2020 issued by the Company, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein.

Reference is made to the announcement of the Company dated 24 April 2020, in relation to, among other things, the continuing connected transactions of the Company as contemplated under the Previous Master Engagement Agreement which are due to expire on 30 June 2021. It is contemplated that the COGO Group will invite the Group to tender for more construction works of the COGO Group in the PRC as construction contractor and the annual cap provided for in the Previous Master Engagement Agreement for the period ending on 30 June 2021 and the term of the Previous Master Engagement Agreement need to be revised. In order to revise the Previous COGO Works Caps for the continuing connected transactions under the Previous Master Engagement Agreement and renew the transactions thereunder, on 19 November 2020, the Company and COGO entered into the New Master Engagement Agreement for a term of three years commencing from 1 January 2021 and ending on 31 December 2023 under which the Company and COGO agreed to, among others, supersede and replace all rights and obligations of the parties under the Previous Master Engagement Agreement (together with the Previous COGO Works Caps) upon the taking effect of the New Master Engagement Agreement.

As at the Latest Practicable Date, COHL is the controlling shareholder of both the Company and COGO by virtue of it being interested in approximately 64.66% of the issued share capital of the Company and approximately 38.32% of the issued share capital of COGO. Accordingly, members of the COGO Group are connected persons of the Group and members of the Group are connected

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persons of the COGO Group. The transactions contemplated under the New Master Engagement Agreement between members of the COGO Group on one hand and members of the Group on the other hand, constitute continuing connected transactions (“**Continuing Connected Transactions**”) for each of the Company and COGO under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios as defined under the Listing Rules in respect of the maximum total contract sums of the construction contracts that may be awarded to the Group by the COGO Group for the period commencing from 1 January 2021 and ending on 31 December 2023 under the New Master Engagement Agreement (i.e. the New COGO Works Caps) exceed 5%, the Continuing Connected Transactions are subject to the annual review, reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all of the three independent non-executive Directors, has been formed to consider whether (i) the terms of the New Master Engagement Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group; and (ii) the transactions contemplated thereunder the New Master Engagement Agreement (including the New COGO Works Caps) are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole, and to make recommendations to the Independent Shareholders in respect of the voting on ordinary resolutions to be proposed at the EGM. We, Honestum International Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

During the past two years, we have acted as the independent financial adviser to the then independent board committee and the then independent shareholders of the Company, details of which is set out in the relevant circular of the Company dated 20 May 2020 in relation to revision of annual caps and renewal of continuing connected transactions between the Company and COLI. Save for the above, as at the Latest Practicable Date, we are independent from and not associated or connected with the Directors, chief executive and substantial shareholders of the Company or COGO or any of their respective subsidiaries or associates. Apart from normal professional fees payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the Directors, chief executive and substantial shareholders of the Company or COGO or any of their respective subsidiaries or associates. Accordingly, we are considered eligible to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the New Master Engagement Agreement and the proposed New COGO Works Caps.

BASIS OF OUR OPINION

In arriving at our recommendation, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular as provided by the management (the “**Management**”) of the Company were true, accurate and complete at the time they were made and continue to be true as at the date of the Circular. We have also relied on our discussion with the Management regarding the Continuing Connected Transactions including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the

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Management respectively in the Circular were reasonably made after due enquiry and careful consideration. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have no reason to suspect that any material facts or information have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Management. We have not, however, carried out any independent verification of the information provided by the Management, nor have we conducted an independent in-depth investigation into the business and affairs of the Group, COGO or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Continuing Connected Transactions, we have taken into account the principal factors and reasons as set out below.

(A) Background of and reasons for entering into the Continuing Connected Transactions

(i) Background of the Group and the COGO Group

The Group is principally engaged in construction business, infrastructure investments and prefabricated constructions. According to the Company's annual report for the year ended 31 December 2019 and its interim report for the six months ended 30 June 2020, the total revenue from construction contracts represented approximately 42.6% and 43.5% of the Company's total revenue during the year ended 31 December 2019 and the six months ended 30 June 2020 respectively.

COGO Group is principally engaged in the business of property investment and development, property leasing and investment holding. During its normal course of business, the COGO Group may invite the Group to tender for the construction works of the COGO Group, including projects of which the COGO Group is the project owner or act as the main contractor for other property developers/project owners, in the PRC as construction contractor from time to time.

(ii) The reasons for entering into the Continuing Connected Transactions

Pursuant to the Previous Master Engagement Agreement, the Group may tender for the COGO Group's construction works in the PRC as construction contractor in accordance with the tendering procedures of the COGO Group from time to time for a term of one year commenced from 1 July 2020 and ending on 30 June 2021 provided that the maximum total contract sums of construction contracts that may be awarded by the COGO Group to the Group shall not exceed (i) HK\$1,000 million for the period commenced from 1 July 2020 and ending on 31 December 2020; and (ii) HK\$500 million for the period commencing from 1 January 2021 and ending on 30 June 2021 (i.e. the Previous COGO Works Caps).

As stated in the Letter from the Board, it is contemplated that the COGO Group will invite the Group to tender for more construction works of the COGO Group in the PRC as construction contractor and the estimated total contract sum within the range of RMB3,000 million to RMB4,000 million of the COGO Group's construction works in the PRC which includes approximately

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RMB1,600.68 million (approximately HK\$1,883.15 million), approximately RMB1,959.53 million (approximately HK\$2,305.33 million) and approximately RMB1,813.33 million (approximately HK\$2,133.33 million) of the COGO Group's construction works in respect of 3 property development projects (for residential purpose), 1 property development project (for residential and commercial purpose) and 1 property development project (for residential and commercial purpose) in the PRC for each of the three financial years ending on 31 December 2023, respectively, for which the COGO Group will invite the Group to participate in competitive tenders from time to time. Meanwhile, the Group has not been engaged by the COGO Group as construction contractor for the COGO Group's construction works in the period between 1 January 2017 and 30 June 2020 as the Group has neither identified any suitable projects from the COGO Group's construction works nor successfully been nominated by the COGO Group as construction contractor through tender. However, the total contract sum of construction works of the COGO Group in the PRC awarded by the COGO Group to the Group as construction contractor under the Previous Master Engagement Agreement for the period from 1 July 2020 to 31 October 2020 was approximately RMB435.77 million (approximately HK\$512.67 million). With reference to the number and size of the potential new construction projects of the COGO Group in the PRC, the Company and COGO expect that the respective annual transaction amount between the Group and the COGO Group for the six months ending on 30 June 2021 will exceed the previous annual cap under the Previous Master Engagement Agreement.

In order to revise the annual cap for the continuing connected transactions under Previous Master Engagement Agreement and renew the transactions thereunder, on 19 November 2020, the Company and COGO entered into the New Master Engagement Agreement for a term of three years commencing from 1 January 2021 and ending on 31 December 2023 under which the Company and COGO agreed to, among others, supersede and replace all rights and obligations of the parties under the Previous Master Engagement Agreement (together with the Previous COGO Works Caps) upon the taking effect of the New Master Engagement Agreement.

(iii) Benefits of the Continuing Connected Transactions

As stated in the Letter from the Board, it is considered that through the New Master Engagement Agreement, the Group is able to participate in the construction works of the COGO Group in the PRC as construction contractor upon successful tender and it allows the Group to strengthen and further develop its construction business and qualifications in the PRC.

In relation to the revision of the Previous COGO Works Caps, taking into account of the above and (i) the business nature of the Group and the COGO Group; (ii) the transactions contemplated under the New Master Engagement Agreement are in line with the existing business activities of the Group, and are subject to same standard and systematic tender review procedures applicable to independent third parties and connected persons of the Group; (iii) the transaction amount between the Group and the COGO Group is expected to increase in 2021 in view of the COGO Group's future growth; (iv) the transactions contemplated under the New Master Engagement Agreement provide a good opportunity for the Group to further develop its construction business in the PRC; and (v) the New Master Engagement Agreement itself does not impose any contractual obligation on the Group to sign any definitive agreements with the COGO Group, we are of the view that the entering into the New Master Engagement Agreement (together with the New COGO Works Caps) are in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

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(B) Principal terms of the New Master Engagement Agreement

- Date: 19 November 2020
- Parties: the Company and COGO
- Transaction nature: Under the New Master Engagement Agreement, the Company and COGO agreed that, for three years commencing from 1 January 2021 and ending on 31 December 2023 whereby the parties agreed, among other things, that:
- (a) the Group may tender for the COGO Group's construction works in the PRC as construction contractor in accordance with the tendering procedures of the COGO Group from time to time and on the same and normal terms as offered to other independent third party construction contractors;
 - (b) if any contract is granted in favour of the Group as a result of the above tender, the Group may act as construction contractor for the COGO Group's construction works in the PRC based on the terms of the successful tender provided that the maximum total contract sums of the construction works that may be awarded by the COGO Group to the Group shall not exceed (i) RMB2,000 million for the year commencing from 1 January 2021 and ending on 31 December 2021; (ii) RMB2,500 million for the year commencing from 1 January 2022 and ending on 31 December 2022; and (iii) RMB3,000 million for the year commencing from 1 January 2023 and ending on 31 December 2023 (i.e. the New COGO Works Caps); and
 - (c) the fees in respect of the construction works payable by the COGO Group to the Group will be settled pursuant to the payment terms set out in the tender documents for the specific construction contracts.
- Pricing basis: In preparing and assessing the tender documents, the Group will take into account factors including technical requirements, quantity specifications, expected completion time, customer's expectations and possible risk factors associated with a project. The Group will then perform site inspection, formulate a tentative construction program and conduct quantitative costs analysis and risk assessment.

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In determining the pricing terms, the Group will review the costs information maintained by its in-house computer database for materials supplied and contract prices from contractors for the Group's previous projects and peripheral operation. The information will assist the Group to conduct quantitative comparison between quotations obtained from contractors and materials suppliers.

The price and terms of the tenders submitted by the Group to the COGO Group for the COGO Group's construction works in the PRC are subject to the standard and systematic tender submission procedures maintained by the Group, which apply for tenders submitted to both connected persons and independent third parties, in order to ensure that the price and terms of the proposed tenders submitted by the Group to the COGO Group are no more favourable to the COGO Group, and no less favourable to the Group, than those submitted to independent third parties. For the details of the Group's standard and systematic tender submission procedures, please refer to the Letter from the Board.

(C) Our review on the Group's tender submission procedures and tender review procedures

Shareholders should note that the above agreement do not impose any contractual obligation for the Group to tender for construction works of the COGO Group. Instead, as confirmed by the Management, the Group have maintained a standard and systematic tender submission procedures to review the feasibility and profitability of invitations to tender from the COGO Group or other independent third parties as described in the Letter from the Board.

As stated in the Letter from the Board, a standard and systematic tender submission procedures has been maintained by the Group, which applies for tenders submitted to both connected persons and independent third parties, in order to ensure that the price and terms of the proposed tenders submitted by the Group to the COGO Group are no more favourable to the COGO Group, and no less favourable to the Group, than those submitted to independent third parties. For details of the Group's standard and systematic tender submission procedures, please refer to the Letter from the Board.

As confirmed by the Management, each tender submission is subject to the review and approval of a review committee (the "**Review Committee**") comprising of 4-6 members and none of the committee members is employees or directors of the COGO Group. As advised by the Management, the Group's standard and systematic tender submission procedures are in line with the market practice. We consider that the Review Committee has sufficient independence capabilities to review terms of transactions under the New Master Engagement Agreement.

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To ascertain the Group's standard and systematic tender submission procedures, we have obtained and reviewed four randomly selected sample tender reports of the Group, of which one was submitted to the COGO Group in 2020 while the other three were submitted to the independent third parties in 2018, 2019 and 2020 respectively. Based on our review, we noted that (i) the standard and systematic tender submission procedures has been implemented by the Group to review the feasibility and profitability of invitations to tender received; (ii) the pricing terms of the tenders were determined by the Group with reference to the technical requirements, quantity specifications, expected completion time, customer's expectations and possible risk factors associated with a project; (iii) the tender submissions had been reviewed by the Review Committee; and (iv) the abovementioned standard and systematic tender submission procedures maintained by the Group is applicable to tenders submitted to both connected persons and independent third parties. We further understand that the Review Committee is responsible to make the final decision on whether to accept an invitation to tender based on the analysis result of the tender review process and to finalise the contents and pricing term of the proposed tender. If any contract is granted to the Group as a result of the competitive tender, the relevant project owner of the COGO Group will issue a letter of award to the Group and the Group will act as construction contractor for the relevant construction works of the COGO Group in the PRC based on the terms of the successful tender.

As the tender documents submitted by the Group will be reviewed and evaluated by the Review Committee based on the same standard and systematic tender submission procedures applicable to tenders submitted to both connected persons and independent third parties, we consider that by following the standard and systematic tender submission procedures and with the approval of the Review Committee, the terms and conditions of the transactions under the New Master Engagement Agreement would be on normal commercial terms and be fair and reasonable so far as the Independent Shareholders are concerned.

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(D) The proposed New COGO Works Caps under the New Master Engagement Agreement

As set out in the Letter from the Board, the historical figures and annual caps are as follows:

	2020 (for the six months ending 31 December 2020)	Year ending on 31 December		
		2021	2022	2023
Historical figures	RMB435.77 million (equivalent to approximately HK\$512.67 million) (for the four months ended 31 October 2020)	N/A	N/A	N/A
Existing cap	HK\$1,000 million	HK\$500 million*	N/A	N/A
Proposed annual cap	N/A	RMB2,000 million	RMB2,500 million	RMB3,000 million

* *for the six months ending 30 June 2021 only*

As stated in the Letter from the Board, the New COGO Works Caps are calculated with reference to the following factors:

- (a) the maximum total contract sum that might be awarded by the COGO Group to the Group in respect of the construction works under the Previous Master Engagement Agreement should not exceed (i) HK\$1,000 million for the period commenced from 1 July 2020 and ending on 31 December 2020; and (ii) HK\$500 million for the period commencing from 1 January 2021 and ending on 30 June 2021 (i.e. the Previous COGO Works Caps);
- (b) total contract sum of construction works of the COGO Group in the PRC awarded by the COGO Group to the Group as construction contractor under the Previous Master Engagement Agreement for the period from 1 July 2020 to 31 October 2020 of approximately RMB435.77million (approximately HK\$512.67 million);
- (c) total contract sum of construction works of the COGO Group in the PRC for the financial year ended 31 December 2017 of approximately RMB11,414.82 million (approximately HK\$13,429.20 million), for the financial year ended 31 December 2018 of approximately RMB14,344.31 million (approximately HK\$16,875.66 million), for the financial year ended 31 December 2019 of approximately RMB19,845.09 million (approximately HK\$23,347.16 million), and for the period from 1 January 2020 to 31 October 2020 of approximately RMB17,660.54 million (approximately HK\$20,777.11 million); and

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- (d) the estimated total contract sum within the range of RMB3,000 million to RMB4,000 million of the COGO Group's construction works in the PRC which includes approximately RMB1,600.68 million (approximately HK\$1,883.15 million), approximately RMB1,959.53 million (approximately HK\$2,305.33 million) and approximately RMB1,813.33 million (approximately HK\$2,133.33 million) of the COGO Group's construction works in respect of 3 property development projects (for residential purpose), 1 property development project (for residential and commercial purpose) and 1 property development project (for residential and commercial purpose) in the PRC for each of the three financial years ending on 31 December 2023, respectively, for which the COGO Group will invite the Group to participate in competitive tenders from time to time taking into account the number and size of the potential new construction projects of the COGO Group in the PRC.

Our assessments on the New COGO Works Caps and its basis

In assessing the reasonableness of the above proposed annual caps, we have reviewed and discussed with the Management the basis and assumptions underlying the projections of the annual caps. Based on our review and discussion, we understand from the Management that the Company has taken the following factors into account in determining the annual caps:

The New COGO Works Caps

We noted that actual historical aggregate contract sum of construction works in the PRC awarded by the COGO Group to the Group under the Previous Master Engagement Agreement was approximately RMB435.77 million (equivalent to approximately HK\$512.67 million) for the four months ended 31 October 2020.

The proposed New COGO Works Caps for the three years commencing from 1 January 2021 and ending on 31 December 2023 provided that the maximum total contract sums of the construction works in the PRC that may be awarded by the COGO Group to the Group shall not exceed (i) RMB2,000 million for the year commencing from 1 January 2021 and ending on 31 December 2021; (ii) RMB2,500 million for the year commencing from 1 January 2022 and ending on 31 December 2022; and (iii) RMB3,000 million for the year commencing from 1 January 2023 and ending on 31 December 2023. Comparing with the hypothetic annual cap of RMB1,700 million as calculated by annualizing the Previous COGO Works Caps under the Previous Master Engagement Agreement of HK\$1,000 million (equivalent to approximately RMB850 million) for the six months ending 31 December 2020, the New COGO Works Caps for the year ending 31 December 2021 represented an increase of approximately RMB300 million. Meanwhile, the New COGO Works Caps for the years ending 31 December 2022 and 2023 represented an increase of approximately RMB500 million comparing with corresponding prior year figures respectively.

In reviewing the basis of the New COGO Works Caps, we have considered the following factors and reasons:

- i. Expected nearly full utilisation of the Previous COGO Works Caps for the six months ending 31 December 2020*

As set out in the Letter from the Board, the total contract sum of construction works in the PRC awarded by the COGO Group to the Group amounted to approximately RMB435.77 million

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(equivalent to approximately HK\$512.67 million) for the period from 1 July 2020 to 31 October 2020, representing approximately 51.3% of the corresponding Previous COGO Works Caps in the relevant period. According to the Management, the utilisation rate of the Previous COGO Works Caps of approximately 51.3% as at 31 October 2020 was within expectations. In addition, there are two potential construction projects in the PRC of the COGO Group as the main contractor, which are currently under the tendering process and are expected to be awarded to the Group in December 2020, with a total contract sum over RMB400 million (equivalent to approximately HK\$470.59 million). As a result, the aggregate total contract sum of construction works in the PRC to be awarded by the COGO Group to the Group for the six months ending 31 December 2020 would be over HK\$980.0 million, representing 98% of the Previous COGO Works Caps.

ii. Potential construction projects of the COGO Group in the PRC available for the Group's tender submission

As stated in the Letter from the Board, it is anticipated that the COGO Group will invite the Group to tender for more construction works of the COGO Group in the PRC and the estimated total contract sum within the range of RMB3,000 million to RMB4,000 million of the COGO Group's construction works in the PRC which includes approximately RMB1,600.68 million (approximately HK\$1,883.15 million), approximately RMB1,959.53 million (approximately HK\$2,305.33 million) and approximately RMB1,813.33 million (approximately HK\$2,133.33 million) of the COGO Group's construction works in respect of 3 property development projects (for residential purpose), 1 property development project (for residential and commercial purpose) and 1 property development project (for residential and commercial purpose) in the PRC for each of the three financial years ending on 31 December 2023, respectively, for which the COGO Group will invite the Group to participate in competitive tenders from time to time taking into account the number and size of the potential new construction projects of the COGO Group in the PRC.

In spite of the uncertainties arising from the Sino-U.S. trade frictions and global economic slowdown in 2019, and the recent outbreak of COVID-19 in 2020, the COGO Group recorded a substantial growth in its property investment and development business in the PRC. According to the 2019 annual report of the COGO Group, revenue generated from its property investment and development segment increased from approximately RMB21,274.5 million for the year ended 31 December 2018 to approximately RMB28,317.2 million for the year ended 31 December 2019, representing an increase of approximately 33.1%. According to the 2020 interim report of the COGO Group, revenue generated from its property investment and development segment increased from approximately RMB10,908.7 million for the six months ended 30 June 2019 to approximately RMB15,980.9 million for the six months ended 30 June 2020, representing an increase of approximately 46.5%.

It is noted that the COGO Group continues to expand its land reserve in the PRC in order to support the sustainable development of its property investment and development business. According to the 2019 annual report of the COGO Group, the gross floor area of land bank attributable to the COGO Group (including the interests in joint ventures) was approximately 21.9 million square meters and the COGO Group held a land bank distributed in 26 cities in the PRC as at 31 December 2019. According to the 2020 interim report of the COGO Group, the gross floor area of land bank attributable to the COGO Group (including the interests in associates) is 23.7 million square meters and the COGO Group held a land bank distributed

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among 33 cities in the PRC as at 30 June 2020. The COGO Group has sufficient and expanding land reserves, which would be available for development in the coming years. In addition, as advised by the Management, the COGO Group also undertakes construction works in the PRC for other property developers/project owners.

Having considered that (i) the historical growth of the property investment and development business of the COGO Group in the PRC for the year ended 31 December 2019 and the six months ended 30 June 2020 and (ii) the sustainable growth of the COGO Group's property investment and development business given its sufficient and expanding land reserves, the Management expects that the COGO Group's demand for construction works in the PRC to be provided by construction contractors will continue to increase during the three years ending on 31 December 2023.

Although the Group only commenced to provide construction works to the COGO Group in 2020 accounting for an insignificant portion of the total contract sum of construction work of the COGO Group in the PRC for the period from 1 January 2020 to 31 October 2020, the Management comments that such satisfying business co-operation with the COGO Group is expected to be continuously strengthen in future. As such, the Management expects that as the COGO Group continues to grow by leveraging on its sufficient land reserves and the sustainable development ability, the COGO Group will engage in more property development projects and will invite the Group to tender for more construction works of the COGO Group in the PRC as construction contractor during the three years ending on 31 December 2023. It would be in the interest of the Group to establish and maintain stable and long-term business relationship with the COGO Group.

iii. Contract sum per square meter

The contract sum per square meter of each project varied according to factors including the technical requirements, quantity specifications, expected completion time, customer's expectations and possible risk factors associated with a project. In order to assess the fairness and reasonableness of the New COGO Works Caps, we have obtained and reviewed the historical contract sum per square meter of five property development projects of the Group in the PRC, of which one residential project in 2018, two residential projects and one commercial project in 2019 and one residential project in 2020, with similar size, nature and/or location to the potential projects of the COGO Group for which the COGO Group will invite the Group to participate in competitive tenders from time to time. In this respect, we notice that the contract sum per square meter which the Group applies for calculation when determining the New COGO Works Caps is comparable to the historical contract sum per square meter of residential projects and commercial project in the PRC awarded to the Group for the two years ended 31 December 2018 and 2019 and the ten months ended 31 October 2020.

As mentioned above, the contract sum per square meter of every project varies due to many factors and there is no direct comparison for construction projects. Based on our review of the contract sum per square meter of the Group's historical residential projects and commercial project in the PRC, it is noted that the contract sum per square meter which the Group applies for calculation when determining the New COGO Works Caps is not irrational, and hence, reasonably supports the basis of the New COGO Works Caps.

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iv. Flexibility necessary for the Group in relation to determining the NEW COGO Works Caps

According to the Management, it was recommended to increase the New COGO Works Caps to RMB2,000 million, RMB2,500 million and RMB3,000 million for the years ending 31 December 2021, 2022 and 2023 respectively. Such proposed New COGO Works Caps were arrived after taking into accounts of several factors, including (i) the existing potential construction projects of the COGO Group in the PRC; (ii) the sufficient land reserves and continuous expansion of land reserves in the PRC of the COGO Group; and (iii) the active expansion of the property development business in the PRC of the COGO Group in recent years.

Comparing with the hypothetic annual cap of RMB1,700 million as calculated by annualizing the Previous COGO Works Caps under the Previous Master Engagement Agreement of HK\$1,000 million (equivalent to approximately RMB850 million) for the six months ending 31 December 2020, the New COGO Works Caps for the year ending 31 December 2021 represented an increase of approximately RMB300 million. Meanwhile, the New COGO Works Caps for the years ending 31 December 2022 and 2023 represented an increase of approximately RMB500 million comparing with corresponding prior year figures respectively. In view of (i) the uncertainty to the actual development plans and the timing to offer a tender invitation of the COGO Group's construction projects which is completely out of the control of the Management; (ii) the Group's intention to expand its business in the PRC and further strengthen its long-term business relationship with the COGO Group; and (iii) the potential increase in labour and/or material costs in the PRC following the recovery of PRC economy, such proposed annual growth of the New COGO Works Caps provides the flexibility for the Group to continue the transactions under the New Master Engagement Agreement without adversely affecting the business operations of the Group.

The Management further explained that, in view of the existing potential construction projects of the COGO Group in the PRC and the land bank of the COGO Group as at 30 June 2020, the New COGO Works Caps of RMB2,000 million, RMB2,500 million and RMB3,000 million for the years ending 31 December 2021, 2022 and 2023 respectively should avoid the re-occurrence of the situation in 2020 when the utilisation of the Previous COGO Works Caps would be over 98% for the six months ending 31 December 2020, limiting the Group from accepting any new tender invitations to be offered by the COGO Group during that year, which may adversely affect the operation and business development of the Group. It is expected that these potential construction projects in the PRC will invite qualified construction contractors, including the Group, tender for certain parts of such construction works as construction contractors over the next few years. The Management considered that it would be in the interest of the Group to establish and maintain stable and long-term business relationship with the COGO Group, and hence, the Group may tender for the COGO Group's construction works in accordance with the tendering procedures of the COGO Group from time to time over the next few years.

Given the abovementioned, we are of the view that the proposed annual caps under the New Master Engagement Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

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The Shareholders should note that each of the proposed annual caps under the New Master Engagement Agreement represents the best estimates by the Directors of the amount of the relevant transaction based on the information currently available. Each of these annual caps bears no direct relationships to, nor should be taken to have any direct bearings to, the Group's financial or potential financial performance. The COGO Group may or may not retain the Group to engage in construction works up to the level of the relevant annual caps, if at all, as its engagement is subject to tender procedures which are open to other independent third party construction contractors.

(E) Reporting requirements and conditions of the Continuing Connected Transactions

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Continuing Connected Transactions are subject to the following annual review requirements:

- a) the independent non-executive directors of the listed issuer must review the non-exempt continuing connected transactions every year and confirm in the annual report that the continuing connected transactions have been entered into:
 - in the ordinary and usual course of business of the listed issuer's group;
 - on normal commercial terms or better; and
 - according to the agreement governing them on terms that are fair and reasonable and in the interests of the listed issuer's shareholders as a whole;
- b) the listed issuer must engage its auditors to report on the continuing connected transaction every year. The auditors must provide a letter to the listed issuer's board of directors confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions:
 - have not been approved by the listed issuer's board of director;
 - were not, in all material respects, in accordance with the pricing policies of the listed issuer's group if the transactions involve the provision of goods or services by the listed issuer's group;
 - were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
 - have exceeded the annual caps;
- c) the listed issuer must provide a copy of the auditors' letter to the Exchange at least 10 business days before the bulk printing of its annual report;
- d) the listed issuer must allow, and ensure that the counterparties to the continuing connected transactions allow, the auditors sufficient access to their records for the purpose of reporting on the transactions; and

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- e) the listed issuer must promptly notify the Exchange and publish an announcement if the independent non-executive directors and/or the auditors cannot confirm the matters as required. The Exchange may require the listed issuer to re-comply with the announcement and shareholders' approval requirements and may impose additional conditions.

In light of the reporting requirements attached to the Continuing Connected Transactions, in particular, (i) the restriction of the maximum value of the Continuing Connected Transactions by way of the annual caps; (ii) the ongoing review by the independent non-executive Directors and auditors of the Company of the terms of the Continuing Connected Transactions and the relevant annual caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Continuing Connected Transactions and safeguard the interests of the Independent Shareholders.

RECOMMENDATION

Having taken into account the factors and reasons as stated above, we consider that the terms of the New Master Engagement Agreement, including the relevant proposed annual caps, are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we advise the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM for approving the Continuing Connected Transactions.

Yours faithfully,
For and on behalf of

Honestum International Limited

Michael Chum
Chairman

Annette Tsang
Executive Director

Note: Mr. Michael Chum is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Honestum International Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 25 years of experience in corporate finance industry. Ms. Annette Tsang is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Honestum International Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 20 years of experience in corporate finance industry.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

As at the Latest Practicable Date:

- (i) Mr. Zhou Hancheng, Mr. Hung Cheung Shew, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See respectively held 2,930,780; 591,584; 1,027,765; 813,569; and 1,027,765 Shares, representing 0.058%; 0.012%; 0.020%; 0.016%; and 0.020% of Shares in issue. All the Shares held by the Directors are being personal interest, in long positions and in the capacity of beneficial owners;
- (ii) Mr. Yan Jianguo held share options to subscribe 2,500,000 shares (representing 0.023% of shares in issue) of COLI (an associated corporation of the Company). All the share options held by the Director are being personal interest, in long positions and in the capacity of beneficial owner;
- (iii) Mr. Zhang Haipeng, Mr. Tian Shuchen and Mr. Hung Cheung Shew respectively held 3,750,000 shares, 10,000,000 shares and 30,000 shares of China State Construction Development Holdings Limited (a non-wholly owned subsidiary of the Company), representing 0.174%, 0.464% and 0.001% of shares in issue. All the shares held by the Directors are being personal interest, in long positions and in the capacity of beneficial owner;
- (iv) Mr. Hung Cheung Shew held 7,095 shares (representing 0.000% of shares in issue) of COLI (an associated corporation of the Company). All the shares held by the Director are being personal interest, in long positions and in the capacity of beneficial owner;

- (v) Mr. Hung Cheung Shew held 2,365 shares (representing 0.000% of shares in issue) of China Overseas Property Holdings Limited (an associated corporation of the Company). All the shares held by the Director are being personal interest, in long positions and in the capacity of beneficial owner; and

- (vi) Mr. Zhang Haipeng, Mr. Tian Shuchen and Mr. Zhou Hancheng respectively held 774,000; 284,000; and 684,000 shares of CSCECL (an intermediate holding company of the Company), representing 0.002%; 0.001%; and 0.002% of shares in issue in CSCECL. All the shares held by the Directors are being personal interest, in long positions and in the capacity of beneficial owners. The Company was informed that their CSCECL's shares were granted by CSCECL under its A-shares Restricted Stock Incentive Plan (Phase II).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had, or was deemed to have, or any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would fall to be (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

COMPETING INTERESTS

As at the Latest Practicable Date, Mr. Yan Jianguo, the chairman and non-executive director of the Company, is the chairman and president of COHL, and Mr. Zhang Haipeng, an executive director and chief executive officer of the Company, is a director of COHL. Operations of such companies are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group as these companies are engaged in construction, property development and related businesses. As at the Latest Practicable Date, COHL held 3,264,976,136 Shares, representing approximately 64.66% of the issued share capital of the Company.

As the Board operates independently of the boards of these companies, the Group operates its business independently of, and at arm's length from, the business of these companies.

Save as disclosed in this section, as at the Latest Practicable Date, none of the Directors nor any of their respective close associates had any interest in a business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business and would require disclosure under Rule 8.10 of the Listing Rules as if each of them was a controlling shareholder.

MATERIAL ADVERSE CHANGE

At the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited accounts of the Company were made up.

SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the Company or any member of the Group within one year without the payment of compensation (other than statutory compensation)).

ADDITIONAL DISCLOSURE OF INTERESTS

As at the Latest Practicable Date:

- (i) none of the Directors or proposed Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the businesses of the Group;
- (ii) none of the Directors had any interest, direct or indirect, in any asset which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019, being the date to which the latest published audited accounts of the Group were made up; and
- (iii) save as disclosed in the paragraph headed “COMPETING INTERESTS” above, so far as was known to the Directors, none of the Directors is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

QUALIFICATION AND CONSENT OF EXPERT

The following sets out the qualification of the expert who has given its opinions, letter or advice included in this circular:

Name	Qualification
Honestum International Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

The letter from Honestum is given as of the date of this circular for incorporation herein.

As at the Latest Practicable Date, Honestum had no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Honestum had no interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019, being the date to which the latest published audited accounts of the Group were made up,

Honestum has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 28th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong from the date of this circular up to and including 12 January 2021 (except Saturdays and Sundays):

- (a) the New Master Engagement Agreement;
- (b) the Previous Master Engagement Agreement;
- (c) the letter from the Independent Board Committee, the text of which is set out in the section headed “LETTER FROM THE INDEPENDENT BOARD COMMITTEE” of this circular;
- (d) the letter from the Independent Financial Adviser, the text of which is set out in the section headed “LETTER FROM HONESTUM” of this circular; and
- (e) the letter of consent from the expert referred to under the section headed “QUALIFICATION AND CONSENT OF EXPERT” in this appendix.

GENERAL

The English text of this circular shall prevail over the Chinese text.

NOTICE OF EGM



中國建築國際集團有限公司

CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 3311)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“**Meeting**”) of the shareholders of China State Construction International Holdings Limited (the “**Company**”) will be held at Meeting Room S221, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Tuesday, 12 January 2021 at 3:10 p.m. (or so soon after the conclusion or adjournment of the extraordinary general meeting of the Company to be convened at 3:00 p.m. at the same place and date) for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT:**

- (A) (i) the New Master Engagement Agreement (as defined in the circular of the Company dated 17 December 2020 of which this notice forms part (the “**Circular**”)) (a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder and the implementation thereof be and are hereby approved, confirmed and ratified;
- (ii) the New COGO Works Caps (as defined in the Circular) for the period between 1 January 2021 and 31 December 2023 be and are hereby approved; and
- (B) any one director of the Company (or any two directors of the Company or one director and the secretary of the Company or such other person, in the case of execution of documents under seal) be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the New Master Engagement Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of common seal thereon.”

By Order of the Board

China State Construction International Holdings Limited

Yan Jianguo

Chairman and Non-executive Director

Hong Kong, 17 December 2020

NOTICE OF EGM

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Notes:

- (1) A form of proxy for use at the Meeting is enclosed herewith.
- (2) Any member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
- (3) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer, attorney or other person authorised to sign the same.
- (4) In order to be valid, the form of proxy, together with the power of attorney (if any) or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be deposited at the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as practicable and in any event not later than 48 hours before the time appointed for holding the Meeting or any adjourned meeting thereof.
- (5) Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the Meeting, whether in person or by proxy, the joint registered holders present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered joint holders.
- (6) Completion and return of the form of proxy will not preclude members from attending and voting in person at the Meeting or at any adjourned meeting thereof should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
- (7) The register of members of the Company will be closed, for the purpose of determining the identity of members who are entitled to attend and vote at the Meeting from Thursday, 7 January 2021 to Tuesday, 12 January 2021, both days inclusive, during which period no transfers of shares will be effected. In order to be entitled to attend the Meeting, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 6 January 2021.
- (8) In view of the ongoing Novel Coronavirus (COVID-19) epidemic, the Company will implement the following precautionary measures at the Meeting, including:
 - (a) compulsory body temperature checks (any person with fever, respiratory symptoms or a body temperature of over 37.0 degree Celsius will not be permitted access to the meeting venue);
 - (b) request of wearing of surgical face masks throughout the Meeting and not wearing surgical face masks will not be permitted access to the meeting venue;
 - (c) hand sanitiser will be provided;
 - (d) no distribution of gifts or cake coupons and no refreshments or drinks will be served; and
 - (e) other safety measures as appropriate.